AGRICULTURAL OUTLOOK DIGEST

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Economic Research Service U.S. Department of Agriculture

THE REAL COST OF EXPENSIVE FEED

High-priced feed is trimming the profits of livestock and poultry producers, even with the record live-animal prices they're getting now. But it's doing more. Producers, and consumers, too, are paying in terms of reduced output and productivity, and added pressures on inflation and imports.

High feed costs aren't the only headache producers face right now. Weather, in good measure the force behind today's feed prices, has recently supplied mud, flood, and blizzard to slow gains and increase costs. Feed shortages in some localities, an overloaded transportation network, critical fuel supplies, and markets as uncertain as they are high also are at hand. But feed is still the critical cost component.

The story can be told for any type of livestock, but current conditions in the dairy industry illustrate the problem plainly enough:

Dairy Output Dips

High feed prices in mid-April meant $98 a ton for complete dairy ration, versus $78 a year ago, $208 a ton for soybean meal, $48 for alfalfa, and even a doubling to 41 cents a gallon for molasses, used in conjunction with urea.

Repercussions on the livestock industry are abundantly evident.

Milk output, for example, has headed down once more, after inching its way back up for just about 3 straight years. Milk output started to slip last November, and first quarter 1973 output fell slightly below a year earlier on a daily average basis.

A better feed situation for dairymen come fall is expected to yield some recovery, but output for the year is likely to total slightly below 1972's level of 120 billion pounds.

Less milk comes mainly from stepped-up herd culling, attributed to high feed costs, high prices for cull cows, and short feed supplies in some areas.

These conditions have also slowed gains in efficiency.

Milk output per cow inched upward last March, for the smallest year-to-year rise since early 1966. The rate of decline in milk cow

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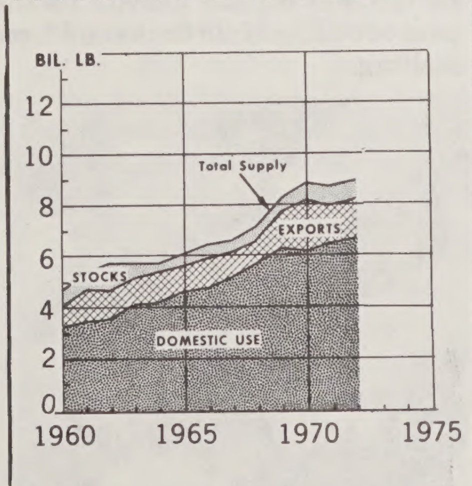
SOYBEAN AND SOYBEAN OIL CARRYOVER PROSPECTS

The recent report of April 1 stocks has increased uncertainty over the degree of tightness in soybean supplies during the balance of this marketing year. Total soybean stocks, reported at 506 million bushels, were lower than would be expected on the basis of reported crush and exports during September 1972-March 1973. However, soybeans in transit generally are not covered in the stocks survey. The heavy movement of soybeans—including soybeans destined for seed use—around April 1 contributed to the uncertainty.

Because of continuing rains and flooding, and because the germination rate of soybean seed is lower than usual, the quantity needed for planting the 1973 crop is larger than previously anticipated. A minimal carryover a little less than the previously estimated 60 million bushels is implied by these data—down from the 72 million bushels carried over on September 1, 1972.

SOYBEAN OIL SUPPLIES



Recent changes in USDA policy regarding export programs (Barter, CCC credit, and P.L. 480) have reduced prospective soybean oil exports for this season to 1.3 billion pounds, down 200 million pounds from earlier estimates. A slightly reduced crush and increased domestic disappearance compared with earlier estimates will mean a soybean oil carryout next October 1 of between 600 and 700 million pounds.

Dairy Output Dips, cont'd. from p. 1

numbers accelerated in early 1973, with March cow numbers down 1.7 percent from March 1972, the largest drop in about 2½ years.

Some farmers may have culled more heavily, but others undoubtedly quit dairying altogether. The decline in dairy herds usually quickens when returns are down and cow prices are attractive.

Although the Northeast and Lake States are still the leading U.S. milk producing areas, recent conditions have reduced output from these regions.

Milk output in the Northeast this March was 4 percent smaller than a year before. Wisconsin's output dipped 2 percent, the first decline for the leading dairy State since 1969.

The profits of dairying are a prime victim of feed costs. Milk prices for the first quarter were up 7½ percent from a year earlier, and gross dairy income was up nearly as much. But dairymens' production costs were up even more, and net income this year from dairying may not match 1972's rate.

With production down and demand up, consumers pay more. The demand for cheese is strengthened by rising prices of red meats and poultry.

March retail dairy products prices were up 3½ percent from a year earlier. Largest price increases were registered for fluid skim milk and American process cheese.

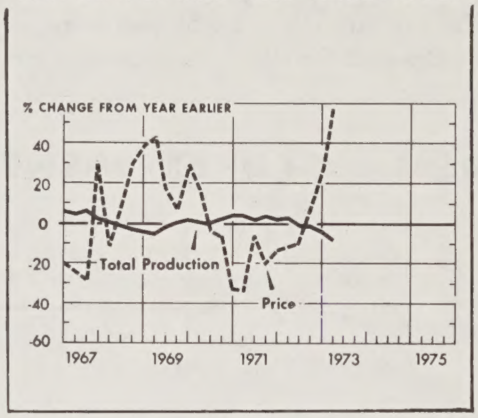
Retail prices are likely to hold steady through summer and rise seasonally in fall, averaging 3½-4 percent higher for the year.

The tight supplies of high protein foods have placed unusual strain on cheese. Cheese consumption has been growing in recent years. Production and imports have increased, and last year a fifth of domestic milk supplies was used in making cheese.

Changes is the 1973/74 CCC cheddar cheese and butter purchase prices were geared to increasing cheese production and stimulating butter consumption.

On April 25, President Nixon signed a proclamation aimed at expanding cheese supplies. It provides for a 50-percent increase in cheese import quotas for 1973 with the additional quantities to enter during a temporary period ending July 31, 1973. The increase in quotas would amount to approximately 64 million pounds of cheese.

EGG OUTPUT AND NEW YORK PRICES



FEWER EGGS UNDERWAY

Egg prices are up sharply, but so are producers' concerns about high feed costs and future profitability. First quarter egg production registered a 6-percent drop from 1972. Producers stepped up culling of older birds and eased off force moltings.

The outlook is for continued smaller egg production, until the effects are felt from the expected buildup in flock size by the end of the year. Hens and pullets of laying age on April 1 were 14 million below April 1972. Early indications suggest only a small increase in the number of replacement pullets to enter the laying flock this summer. Thus, the extent of flock rebuilding by fall will depend heavily on the pace of culling of old flocks and force molting.

Egg prices are expected to follow their usual seasonal course, rising in summer and fall. Smaller supplies and general inflation are keeping prices well above last year's depressed levels. By fall, flock buildup may raise production relative to a year before. But supplies are likely to continue smaller, because of reduced stocks of egg products.

BROILER PRICES LIFTED

Broiler prices are likely to continue hovering at high levels in the months ahead, although below recent peaks.

Slowing production and high red meats prices levitated first-quarter 1973 broiler prices to their highest levels since the mid-1950's. Markets have continued strong, and for the week of April 23 averaged 44 cents a pound wholesale, compared with 26 cents a year before.

Prices, which ordinarily dip in spring before strengthening in summer, will probably continue strong right through to fall, when they may decline seasonally. Some easing of red meat prices in the second half could more than offset the effect of slightly smaller broiler supplies on prices.

Output of broilers this year is likely to be near the 9 billion pounds, ready-to-cook weight, produced in 1972. Economists see this as only a pause in the long upward trend in broiler output, which has practically doubled since 1960.

NO TURKEY GAINS

First half Federally-inspected turkey slaughter will be well above the 416 million pounds of 1972. Yet spring poult production has slipped under 1972 rates in response to high feed costs and concern about the coming feed supplies. The result will be smaller summer output the last year.

Fall output also may average below 1972 levels. With a jump in wholesale young hen prices during March, to 54 cents a pound,

Prices are expected to weaken this summer, but keep well ahead of last year's levels through the rest of 1973.

NEEDED: MORE FEED

Expanding beef cattle and hog inventories will boost grain consuming animal units in 1973/74 by around 4 percent, adding to domestic feed requirements. And export demand may increase. Carryover stocks this fall will be down to around 37 million tons, based on the April 1 stocks report.

Some help may come from a March program change which freed 13½ million additional set-aide acres for production of grain, other crops and forage. Acreage indicated by the March 1 intentions survey would have resulted in a projected output of 209 million tons, 5 percent over 1972. Additional acreage planted due to the program change might add approximately 10 million tons to the projected output.

Through mid-April, plowing in the Corn Belt was well behind normal schedules. Corn planting in the South was gaining momentum in April, but still lagged behind the usual schedule.

Most of this year's added feed costs are for protein feeds, in tight supply worldwide. However, with prospective soybean plantings of 54 million acres, 7 million more than in 1972, feed buyers can look for lower feed costs this fall, barring an abnormal growing season.

For the near term, protein feed supplies continue very tight and prices high. Soybean meal prices will remain sensitive to weather and international developments. Decatur prices hit $288 a ton, a record, in early May.

Cottonseed Meal Boost

In what seems to be an increasingly general pattern for commodities this year, demand has boosted cottonseed meal prices despite larger supplies.

Cottonseed meal supplies this season total about 2.5 million tons compared with 1.9 million in 1971/72. With demand strong, total use is estimated at 2.4 million tons. Most of this will be used domestically.

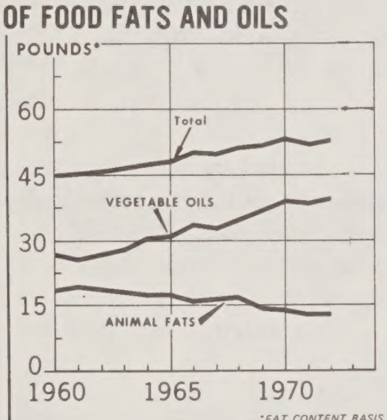
Prices (41-percent protein, expeller, Memphis) rose from $87 per ton last August to a record $169 in February. Late April prices were about $190 per ton. The high levels reflect the worldwide shortage of high-protein feeds, and tightening 1972-crop supplies.

MORE FATS AND OILS USED, EXPORT PROGRAM TRIMMED

Domestic food use of fats and oils, and prices, are rising, and USDA reduced the amount of vegetable oil available for exports under Government programs.

Domestic edible use of fats and oils moved up sharply last year, to a record 53 pounds per person. We ate more salad and cooking oils and margarine, while butter use held steady. Further slight rise is in store this year.

PER CAPITA CONSUMPTION OF FOOD FATS AND OILS



With rising domestic requirements, use of soybean oil in the marketing year ending next October 1 is rising some 5 percent to top 6.7 billion pounds, a new record. Exports of soybean oil are now estimated at 1.3 billion pounds, down 200 million pounds from earlier estimates. This reduced outlook results from USDA's April 6 announced temporary suspension of vegetable oils as eligible commodities under the CCC Export Credit Sales Program and the Barter Program. Also, quantities of vegetable oils to be programmed under Titles I and II of P.L. 480 are being reduced from earlier planned levels.

Deducting likely domestic and export use from supplies, it looks like the October 1, 1973, soybean oil carryover will be between 600 and 700 million pounds, a 1-month supply.

Soybean oil (crude Decatur), after remaining stable at around 10 cents per pound in October-January, moved up sharply, and recently ranged from 13½ to 16 cents a pound.

Mohair Prices Ignite

Strong foreign demand for domestic mohair along with less U.S. production sparked 1972 prices. Prices received by U.S. producers for mohair increased from 30.1 cents a pound, grease basis, in 1971 to 81.4 cents in 1972, approaching pre-1965 levels.

Prices of mohair in Texas during March 1973 averaged $1.75 a pound, indicating an unusually strong overall market return for the spring clip. Fall clip prices may be off somewhat from this peak.

WOOL PRICES DOUBLE

Average farm prices of shorn wool doubled in 1972 and should double again during 1973, topping the Wool Act incentive price of 72 cents a pound. This means no Government payments to producers on 1973 wool marketings in 1974.

Even though prices have come down from the highs posted in mid-March, some two-thirds of the clip reportedly had been sold or contracted prior to the market break.

Price trends in foreign markets continue to dominate the U.S. situation. On the domestic scene, supplies of raw apparel wool are down, with stocks reduced and less production in the offing. Mill use has held up. Also, despite recent declines around the world, prices overseas have continued relatively higher than similar domestic types.

Based on the January 1 estimate of 6 percent fewer stock sheep on farms and ranches, shorn wool output will dip below the 158 million pounds, grease basis, of 1972.

COTTON OUTPUT, NEEDS, TO DROP

Cotton production in 1973/74 may decline significantly. Assuming yields average around a bale per acre and that farmers follow their March 1 intentions, production would total about 12¼ million bales, 1½ million below 1972. However, the Delta flood has cast considerable uncertainty over prospective planted acreage, as reflected in the higher cotton prices of late April. Still, output likely will be sufficient to satisfy prospective 1973/74 disappearance, which may not equal this season's anticipated 12½ million bales.

The big 1972 cotton crop boosted this season's supply to 17¼ million bales, well above 1971/72's 24-year low. Disappearance, although larger than last season because of expanding exports, still will fall short of production. Thus, the carryover in August likely will increase to about 4¾ million bales.

Export demand for U.S. cotton is particularly strong this season, and shipments will likely total about 4.7 million bales. Greater demand is originating mainly in Europe and the Orient.

Major factors include our larger supplies and competitive prices, stock rebuilding in foreign importing countries, larger cotton use abroad, and poor crops in a number of foreign producing countries.

Domestic mill use of U.S. cotton during 1972/73 is estimated at 7.8 million bales, down from last season. Last year's tight supplies and high prices have led to more intensive competition from man-made fibers and textile imports.

LESS FRESH VEGETABLES

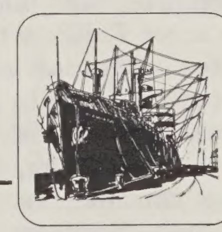
Output of 14 spring fresh vegetables may be 2 percent less than the high-yielding 1972 crop. The spring onion crop in Texas could drop below the small 1972 output. Along with fewer onions, smaller crops of celery, lettuce, sweet corn, and cucumbers are expected.

On the other hand, a substantially larger supply of tomatoes is due in May and there will probably be more carrots and cabbage as well. But spring melon acreage is a fifth less this year and projected production of cantaloups and watermelons is down about an eighth.

With smaller total supplies of fresh vegetables expected this year, farm prices in the second quarter will probably hold moderately higher than a year ago. Even though most prices will be declining seasonally, record-high onion prices could be offseting.

ONION RELIEF DUE

Weather held the Texas spring crop at bay, but harvest has finally begun. Output from other spring-producing States probably will be enough to bring May quotations for wholesale onions down from the amazing 25-35 cent-per-lb. levels of April. Quotations were down at the 3-cent level as recently as early 1971. Prices will remain at high levels, though, until summer crops hit the market. Acreage in summer onion States is up 9 percent, although over half the gain is in California, where processing predominates.



FOREIGN FOCUS

Digested from Foreign Agricultural Trade of the United States, April 1973

Spain, Canada, Growth Markets

Excluding transshipments, Canada brought $715 million of our farm exports last year, while Spain purchased a record $300 million worth. Our trade with Canada focuses on exports of fresh and processed fruits and vegetables, fresh and processed meats, corn, and hides and skins. U.S. imports from Canada totaled $353 million in 1972. Live animals topped the list. A stable pattern of trade is forecast for future years.

Soybeans and feed grains currently account for fourth-fifths of our farm shipments to Spain. It's likely we'll capture much of the future growth forecast for Spanish soybean imports, but we'll get some tough competition for the expanding feed grain market. Sales of U.S. tobacco, hides and skins, tallow, and cotton all stand a good chance of future growth.

Exports Hot

March farm exports reached an alltime high $1.4 billion, and 1972/73 exports from July through March were up to another record, $8.9 billion. (That was a tenth more than our farm exports for all of 1971/72.) Grains alone accounted for about 60 percent of the total value increase. Soybeans, cattle hides, soybean meal, meats, cotton, and fruits and vegetables were the other big contributors to the value gain.

Meanwhile, July-March farm imports were up $700 million compared with the previous season to $5.2 billion.